

Infrastructure Pillar : Conclusions and recommendations

1. Consistent with the six principles that inform our Seoul Consensus, we agree that any collective effort on the part of the G20 to support infrastructure development should be informed by the needs and priorities of developing countries, in particular LICs, at national and regional level. While recognizing the important role of government revenues and concessional finance for infrastructure projects in LICs, we emphasize the need to further mobilize private sector funding to fill the existing gaps.

We have recognized the central role of an enabling environment for facilitating infrastructure projects financing in many developing countries, particularly LICs. Regional infrastructure projects, particularly in Sub-Saharan Africa, allow economies of scale but, to be successful at the regional level, securing an enabling environment at the national level is a pre-requisite.

Actions to establish an enabling environment require a long-term perspective, but concrete measures are needed in the short term to demonstrate visible results. Upon request of countries, bilateral donors and MDBs should play an important role in helping building capacity in LICs to improve, among others, the legal and institutional frameworks, expertise as well as countries' capacity in project preparation and innovations in project financing instruments and modalities. Such assistance should be targeted, sustained and localized.

We also have identified significant information asymmetries which make it difficult for existing sources of private funding to link to opportunities. Therefore, improving quality of data available is a key component of the efforts of the G20 to improve infrastructure projects financing. Collectively, the G20 can play an important role in promoting both transparency and quality of information. In this regard, we agree to work on the following concrete actions together with the MDBs to support national efforts to improve the enabling environment:

- we welcome the proposal of the Infrastructure Consortium for Africa to open its membership to all G20 countries ;
- we ask the MDBs to expand the collection of detailed infrastructure data to all LICs, following the AICD method, while further improving the quality of data;
- we encourage the establishment of an online marketplace platform for sharing information on infrastructure projects and environment in order to concretely link project sponsors and financiers;
- we stand ready to support LICs efforts to building capacity and improving their legal and institutional frameworks through the provision of targeted, sustained and localized technical assistance.

2. We express our appreciation to the MDBs for their interim report on supporting infrastructure in LICs and request them to go through a more concrete action plan by September. In particular, we expect MDBs to further elaborate and make proposals on:

- exploring options for streamlining existing project preparation facilities with an aim to improve allocation of existing resources to finance project preparation and investment in regional projects;
- strengthening incentives for preparation of regional projects, including for staff and within concessional financing frameworks (e.g. for IDA);

- continuing the work towards greater harmonization of their procurement rules and practices, including mutual recognition of procedures which could reduce the cost of lending, speed up project implementation and give room for more collaboration with other investors, especially for PPPs;
- improving lending guidelines and internal policy which can be impediment to increase lending for infrastructure in LICs;
- work based on Annex II of the report, and with the in-put of OECD and other relevant organizations, on guidelines for PPPs implementation and project preparation fund effectiveness;
- forming a PPP expertise network to provide hands-on technical assistance for LICs project preparation and implementation by combining existing platforms;
- assessing together with the IMF to which extent the recently revised DSF still retains inappropriate constraint to infrastructure projects;
- building on the action plan prepared by the G20 IMS working group to support the development of local currency bond markets.

3. We thank the HLP for its high degree of commitment to this collective effort and the quality of its preliminary work. We look forward to its review of the MDBs action plan, with a special emphasis on proposals with respect to the enabling environment for infrastructure project, in areas such as developing the legal framework (in particular for contract preparation), building expertise and capacity in LICs and securing access to finance. We will also appreciate HLP views and guidelines on the COsT initiative and infrastructure online marketplace.

Moreover, it rests on the HLP to provide proposals to mobilize private sector funding for infrastructure projects and leverage public finance and guarantees. In that perspective, the HLP could review the existing guarantee mechanisms provided by the MDBs and propose additional efficient and innovative financing instruments, including increasing use of securitization. In the context of global imbalances, we encourage the HLP to review other potential sources of funding, including sovereign wealth funds.

The HLP has also a crucial role to play in advocating for investment opportunities in developing countries, in particular in LICs, to reduce the gap between perceived and actual risk.

4. We reaffirm our commitment to work towards identification of bankable/growth-supporting projects, preferably at the regional level to embody and exemplify our work. We ask the HLP, working together with MDBs, to present us, at our DWG meeting in September, their set of criteria for identifying infrastructure investment projects, a selection of investment projects meeting these criteria (without contradiction with regional priorities) and to single out, as far as possible, the potential obstacles or bottlenecks which prevent their implementation, including shortcomings in current approaches to project preparation and the policy environment in the countries of operation. Taking into account that the G20 is not a financing body, nor is responsible for implementing projects, tracking the development of individual projects could however help inform G20 Leaders on existing obstacles in developing or implementing such projects, both at a national level and within systems of international support, and could provide the basis for concrete action by the G20 as a group to helping sponsors overcome such bottlenecks.